

8.2 REPURPOSING ASSETS - SALE OF LOT 1 MINGARI ST MUNNO PARA

Contact Person: Mr Simon Blom

Why is this matter confidential?

Subject to an order pursuant to Section 90 (3) (d) of the Local Government Act 1999, this matter is confidential because it contains information that is commercially sensitive to an ongoing commercial negotiation.

A. COUNCIL/COMMITTEE TO MOVE MOTION TO GO INTO CONFIDENCE

No action – this motion passed in the open section.

B. THE BUSINESS MATTER

8.2 REPURPOSING ASSETS - SALE OF LOT 1 MINGARI ST MUNNO PARA

Responsible Executive Manager : Mr Simon Blom

Report Author : Mr Edi Bergamin

Delegated Authority : Matters which cannot be delegated to a Committee or Staff.

Attachments :

- 1. Attachment 1-Concept Plan for Four Lot Sub-division
- 2. Attachment 2-Executed Letter of Offer

PURPOSE

To seek Council approval for the sale of Lot 1 which is a portion of the whole site located at Lot 479 Mingari St Munno Para (ex- Munno Para Bowling site) to Leyton Property.

STAFF RECOMMENDATION

Council resolves;

- a) The sale of Lot 1 as per the concept land division plan (Attachment 1) which is a portion of the existing Lot 479 Mingari Street Munno Para (CT 6156/288) for the agreed price of \$4.29 Million (ex GST)
- b) The site area for the proposed Lot 1 (Attachment 1) will be subject to the Final Plan of Division
- c) Pursuant to the Local Government Act 1999, the Chief Executive Officer be granted the delegation to finalise the drafting and execution of the land sale contract for the sale of Lot 1 (Attachment 1)

EXECUTIVE SUMMARY

The Council owned property located at Lot 479 Mingari Street, Munno Para was resolved by Council as a surplus asset and to be sold. As a consequence, the subject property has been included in the current Repurposing Assets Project.

In accordance to Council's Sale and Disposal of Land and Other Assets Policy, an Expression of Interest was undertaken to market the subject site as four serviced Torrens Title lots of varying site area or as a whole site (as previously marketed). An acceptable offer was received for the largest Lot 1 which is a portion of Lot 479 Mingari St Munno Para.

This report seeks Council approval for the sale of Lot 1 Mingari St Munno Para as per the concept land division plan (Attachment 1) to Leyton Property and to proceed with the two stage land division process.

1. BACKGROUND

At the Ordinary Council Meeting on 26 August 2014, Council endorsed the Playford Sports Precinct Prudential Report which included the sale of both surplus property assets located at Lot 47 Oldham Rd Elizabeth South (ex Bi-Centennial tennis site) and Lot 479 Mingari St Munno Para (ex-Munno Para Bowling & Community Club). The sale proceeds from both sites were to be used for the capital project funding of the Playford Sports Precinct Project.

The community land classification for Lot 479 Mingari St Munno Para was formally revoked by Council at the Ordinary Meeting in January 2015. As a consequence, an Expression of Interest (EOI) process was undertaken for the sale of the whole site which followed with the selection of Emmett Property to develop a bulky goods development subject. To accommodate the latter, a Development Plan Amendment (DPA) was undertaken to rezone for a commercial zone which was approved by the Minister in June 2017.

During this period, Kaufland Australia identified the subject site as a strategic site to develop one of their large format retail centres and thus approached both City of Playford and Emmett Property to acquire the site. Due to the potential economic and employment benefits, the sale contract was assigned from Emmett Property to Kaufland Australia in February 2018. Kaufland Australia commenced the process to amend the approved DPA to accommodate the proposed large format retail development which was not successful. Consequently, the sale contract with Kaufland Australia was terminated in mid 2019 and the subject site has remained vacant since then.

In late 2019, the Repurposing Assets program was established to repurpose select surplus property assets to maximise commercial/financial return and attract capital investment and employment opportunities to City of Playford. Thus, one of the selected surplus assets is Lot 479 Mingari St Munno Para.

2. RELEVANCE TO STRATEGIC PLAN

2: Smart Living Program

Outcome 2.1 Smart development and urban renewal

This decision will assist Council's debt reduction strategy and also provide an opportunity for further capital investment, commercial development and employment opportunities in the City of Playford.

3. PUBLIC CONSULTATION

There is no requirement to consult the community on this matter.

4. DISCUSSION

For the subject site, the key issues that need to be considered regarding the sale of Lot 1 to Leyton Property, which is a portion of the whole site located at Lot 479 Mingari St Munno Para are:

- Property Description and Valuation
- Development Plan
- Past Property Transaction Timelines
- EOI – 2019/20
- Lot 1 Offer – Leyton Property
- Rate Revenue
- Land Division Costs & Options
- Land Sale Contract & CEO Delegation

4.1 Property Description and Valuation

The whole site is an island site with a total frontage to both Main North Road (eastern boundary) and Curtis Road (southern boundary) of approximately 320 metres. Secondary frontages to both Mingari Street and Myall Avenue of approximately 160 metres each. In accordance to DPTI traffic records, the current daily traffic volume is approximately 42,000 vehicles on Main North Road.

The site is generally level with service connections and no easements on the property. The site was formerly utilised as the Munno Para Bowling and Community Club which is currently a vacant site since the demolition of the clubrooms and bowling facilities and the relocation of the Bowling club to new start-of-the art facility at Goodman Rd Elizabeth.

The whole site area is 27,387 sqm. The legal property description of the whole site is summarised as follows:

Site address	: Lot 479 Mingari Street, Munno Para
Certificate of Title	: Volume 6156 Folio 288
Plan Reference	: Deposited Plan 10441
Hundred	: Munno Para
Development Plan Zoning	: Precinct 50 – Munno Para Commercial

A property valuation by McGees Property was undertaken on 15 February 2019 and is summarised as follows:

Valuation approach	: Direct comparison
Rate (\$/sqm)	: \$262/sqm
Market Value	: \$7,190,000 (ex GST)

The subject site, known as Lot 1 is a portion of the whole site as per the proposed land division concept plan (Attachment 1). The site area of the proposed Lot 1 is 11,000sqm with a 160m frontage to Main North Rd. Lot 1 will be subject to a land division process which will be discussed in a later section of the report.

4.2 Development Plan

Pursuant to the current City of Playford development Plan (consolidated 29 August 2019), the whole site is zoned Precinct 50 – Munno Para Commercial. A Development Plan Amendment (DPA) was undertaken to rezone the site from the previous residential zoning to the current Commercial zoning which was approved by the Minister of Planning on 21 June 2017.

The purpose of the DPA was to allow for future commercial development and employment opportunities. In reference to the City of Playford Development Plan, the principles of Development Controls for the subject site for the Precinct 50 – Munno Para Commercial zoning are:

- Development in the precinct should primarily accommodate larger-format commercial, bulky goods and office land uses;
- Development of convenience shops, including a supermarket, or a total gross leasable floor space of no more than 1500 sqm would be appropriate to service nearby residents and passing traffic;
- Site vehicular access is provided from Mingari Street and Myall Avenue. Additional access points are available from Main North Rd and Curtis Road (entry only lanes, no exit) subject to Council approval; and
- Development which includes open area display of goods should not occur within the precinct.

4.3 Past Property Transaction Timelines

Since the original Council Resolution on 23 April 2013 followed by the Council Resolution approving the Playford Sports Precinct Prudential Report on 26 August 2014, Council decided the whole site was a surplus asset and to be sold in accordance to Council's Sale and Asset Disposal Policy.

The key property transaction/tasks that followed the latter Council decision up to the current Lot 1 Letter of Offer/sale contract, are summarised as follows:

Date	Property Task/Transaction
24 January 2015	Council revokes Community Land Classification
November 2015	EOI – 2 offers received <ul style="list-style-type: none"> • GIC (Masters site) : \$6.82M • Emmett Property : \$8.2M Emmett Property selected as preferred, followed by extensive negotiation period.
24 October 2016	Emmett Property – execution of Land Sale Contract and payment of \$100K deposit
27 June 2017	DPA approved for commercial rezoning by Minister
5 October 2017	\$300k deposit received from Emmett Property due to satisfaction of Condition – DPA rezoning
Jan-Feb 2018	Assignment of Land Sale contract by Emmett Property to Kaufland Australia (no Council approval required) to develop a large format retail development
5 February 2018	Resolution Deed "Land Holding" Settlement extended 12 months. Kaufland Australia pay \$350k to Council for extension/land holding fees payment.
30 April 2018	Kaufland Australia lodge the development application with the Co-ordinator General's Office
27 June 2018	Playford Bowling Club vacate site
30 Nov 2018	Kaufland Australia execute 2 nd Resolution Deed for 3 month extension
28 Feb 2019	Kaufland Australia execute 3 rd Resolution Deed for 3 month extension. Kaufland Australia pay \$75k to Council for additional land holding fees payment for period Nov-18 to Feb-19
30 May 2019	Kaufland Australia execute 4 th Resolution Deed for additional 1 month extension
May 2019	New Land sale contract drafted – Kaufland Australia as purchaser due to expiry date of Resolution Deed.
30 June 2019	Kaufland Australia withdraw, contract expired.

July 2019	Council refund \$400k deposit to purchaser but retain the acquired land holding payments paid by Kaufland Australia
Sept-Oct 2019	Commencement of Repurposing Assets Project
October 2019	Executive endorsement of the initial fourteen (14) properties were identified as potential surplus assets for the Repurposing Assets program. This included the subject site located at Lot 479 Mingari St Munno Para
October 2019	EOI to appoint real estate agency to sell the whole site at Lot 479 Mingari St Munno Para McGees Property appointed as the real estate agency
December 2019	EOI for sale of whole site <ul style="list-style-type: none"> • 5 offers received • Prices offered range from \$2m to \$6.8M with conditions
January 2020	Amended EOI undertaken – review conditions and purchase price <ul style="list-style-type: none"> • One EOI registrant withdrew • Preferred tenderer selected – United Petroleum : \$6M
Feb- March 2020	Ongoing negotiations with United Petroleum – preferred tenderer
30 April 2020	United Petroleum withdrew offer due to COVID 19 impact and as a consequence, decision to refocus future capital investment on eastern states
July -August 2020	EOI for sale 4 lot sub-division site – 3 offers received initially followed by Council counteroffer and revised offers submitted; <ul style="list-style-type: none"> • Leyton Property : Lot 1 - \$4.29M with precommitment and non-refundable deposit subject to achieving milestones • Emmett Property : Lot 1 - \$4.29M – conditional offer and refundable deposit • Hamra Developments : whole site -\$7.2M with conditions, offer later withdrawn
Sept 2020	Letter of Offer for Lot 1 executed with Leyton Property for \$4.29M Commence drafting of Land sale contract for Lot 1 – subject to Council approval
October 2020	Council approval for Lot 1 sale contract – Purpose of this report

4.4 Expression of Interest (EOI)

Since the previous Council decision to relocate the Bowling Club and sell the surplus site to Emmett Property/Kaufland Australia without a successful outcome, as part of the Repurposing Assets program the subject property has been placed on the market which aligns with Council's current strategy to reduce debt and attract capital investment and employment opportunities to the city of Playford.

In December 2019, an Expression of Interest (EOI) was undertaken for the sale of the whole site. A total of five (5) offers were received. All offers received were subject to conditions and the purchase prices were below the market value of \$7,190,000 (ex gst). As a consequence, further negotiations continued with eventual selection of United Petroleum as the preferred tenderer.

Due to the impacts of COVID-19 on the commercial property market and the refocus of capital investment in the eastern states, United Petroleum formally withdrew their offer on the 30 April 2020.

As a consequence, a revised marketing strategy was developed to market the option to divide the subject site into smaller lots and the original option as a single lot. As a result of market feedback and analysis, the proposed sub-division option will provide four (4) serviced lots of varying size. In the current market, there's more demand for smaller commercial lots compared to the existing single lot (area = 27,387 sqm).

In July 2020, an EOI campaign was undertaken by the real estate agent, McGees Property to market the four (4) lot sub-division option with asking prices which are negotiable;

Lot No	Site Area(sqm)	Asking Price (\$)	Rate (\$/sqm)
1	11,000	\$4,290,000	390
2	5800	\$1,960,000	330
3	5100	\$970,000	190
4	5400	\$1,026,000	190
Total		\$8,246,000	

Note: All prices are GST exclusive and negotiable
All site areas are estimates, to be confirmed by plan of division

For the EOI, the lot sizes were indicative only and subject to market demand or purchaser requirements could be adjusted accordingly.

As a result of the revised marketing campaign for the EOI, three (3) conditional offers were received:

- 1) Leyton Property – Lot 1 and whole site
- 2) Emmett Property – Lot 1
- 3) Hamra – whole site

The offers were assessed and further information was requested including revised/increased purchase prices from each tenderer as part of the tender process. As a consequence, Hamra withdrew their offer.

Leyton Property offer for Lot 1 was selected as the preferred because the revised offer included the proposal to develop a petrol outlet and bulky goods retail outlet on the site and the increased purchase price matched the asking price. Whereas, the other tenderers had no pre-commitment which represented a greater risk to achieving a successful contract/settlement outcome.

No offers were received for the remaining Lots 2,3,4 during the EOI, but with the sale of Lot 1, market interest will focus on the remaining lots in the future.

4.5 Lot 1 Offer – Leyton Property

A letter of offer (Attachment 2) has been executed with Leyton Property as the preferred tenderer. Upon completion of negotiations, a land sale contract for Lot 1 will be executed subject to Council approval, the purpose of this report.

Key points of the executed letter of offer (Attachment 2) are:

- a) Purchase price = \$4.29M (exclusive GST).
- b) Purchase of Lot 1 – 11,000 sqm (Attachment 1).
- c) Retention of Deposit (non-refundable) upon satisfaction of Due Diligence (50% - \$50,000) and then upon satisfaction of land division / planning consent (balance 50% - \$50,000).
- d) Special Conditions:
 1. Due Diligence – 90 days for contract execution with an option for an extra 30 days.

2. Land Division by Council – 180 days from completion of Due Diligence.
3. Planning Consent for proposed commercial development by Leyton – 180 days from completion of Due Diligence.
4. Right of access to the site and market property after completion of Due Diligence.
- e) Cost to relocate transformer and design / construct of Main North Road slip-lane for Lot 1, to be borne by purchaser, Leyton Property.
- f) Land division process to be undertaken in 2 stage process to align land division and services augmentation costs (open space, contribution, sewer, water connection cost, etc). Stage 1 land division will create Lot 1 and a second single large lot (comprising Lot 2, 3, 4).

The Leyton Property offer to purchase Lot 1 is recommended due to the following key points:

- a) The purchase price matches the asking price of \$4.29M
- b) Leyton Property provided a confirmation letter from each of the commercial tenants for a petrol outlet and a bulky goods retail firm as part of their offer
- c) The purchase price rate of \$390/sqm exceeds the market valuation rate of \$262/sqm
- d) The proposed commercial investment aligns with development plan zoning
- e) Aligns with Council's objectives to attract commercial capital investment, new services and associated employment opportunities
- f) Aligns with Council's objective to reduce the debt with the proceeds from the land sale and additional commercial rate revenue from both the vacant site initially and then in the future, the proposed commercial development
- g) Following completion of the Due Diligence period, Council will be entitled to non-refundable portions of the deposit, thus mitigating Council's financial risk exposure to the Stage 1 land division costs
- h) The risk of contract failure for Council is only in the Due Diligence period but Council's land division costs are minimal during this period
- i) A two stage land division process has been agreed
- j) Leyton Property are also supportive of masterplanning the whole site if required. This not critical to the land sale.

4.6 Rate Revenue

Currently, the vacant site receives no rate revenue under Council ownership whereas following the sale of the subject site as a whole or as a four (4) lot sub-division, Council will receive commercial rate revenue as listed below.

For both options, the Council rate revenue based on General rate for 2020 -2021 year including the Regional Landscape Levy for vacant commercial land are.

Option 1: Four (4) Lot sub-division

Lot No.	Estimated Site Area	Asking Sale Price	Estimated Rate Revenue
1	11,000 sqm	\$4, 290,000	\$11,744
2	5800 sqm	\$1,960,000	\$5,919
3	5100 sqm	\$970,000	\$3,443
4	5400 sqm	\$1,026,000	\$3,583

Option 2: Sale as a whole lot (as is)

Lot No.	Estimated Site Area	Asking Sale Price	Estimated Rate Revenue
Lot 479	27,300 sqm	\$7,200,000	\$19,020

Under Sec 179 *Local Government Act 1999* Council can adjust the rates payable at settlement. Also, the above rate revenue is based on vacant commercial land but with future commercial investment/development on the lots, the potential future commercial rate revenue received by Council will be significantly higher than listed for both options.

4.7 Land Division Options and Costs

Since the original Council Resolution in 2013, Council has attempted via EOI and conditional contracts to sell the subject site as a whole without success. This was predominantly due to the limited number of developers/purchasers with the capacity to develop large commercial sites.

Further to market feedback and analysis, in the northern region it was found that there is more demand for smaller commercial lots in the current market rather than large superlots. As a consequence, various sub-division options were assessed including the construction of new internal roads.

Due to the island site with adjoining services, the preferred sub-division option was for the creation of four (4) serviced allotments with existing road frontages as per the concept land division plan (Attachment 1). The preferred sub-division option has a lower capital cost compared to the other options considered because there's no requirement for the construction of new roads, footpaths, street lighting or service augmentation costs. The proposed four lots vary in site area from 5100 sqm to 11,000 sqm for Lot 1 which has approximately 160m frontage to Main North Road.

With the sale of Lot 1 to Leyton Property, Council will be required to undertake the land division process. To mitigate the risk of contract failure and cost exposure to Council in the land division process, a two (2) stage process land division will be undertaken as follows;

Stage 1: create two Torrens Title lots, Lot 1 and one large superlot (Lot 2,3,4 combined as one). The estimated time program for Stage 1 from contract execution to property settlement is 12 months assuming an allowance of 4 months for the Due Diligence process

Stage 2: sub-divide the large superlot into two/three/four/other lots as required by the market at the time

The development costs for the two(2) stage land division process for the proposed four(4) lot sub-division (Attachment 1) is summarised as follows;

Land Division Cost (all GST exclusive)	Stage 1 (Lot 1) Cost (\$)	Stage 2 (Lot 2,3,4) Cost (\$)	Total Cost (\$)
RE agent commission (0.6%) and contract fee	\$29,450	\$34,550	\$64,000
Internet, Advert, sign cost	\$3,900	\$8,800	\$12,700
LD design and bdry survey	\$7,500	\$7,500	\$15,000
Service augmentation costs for additional new lots (sewer, water)	\$15,300	\$30,900	\$46,200
Open space contribution	\$7,600	\$15,200	\$22,800
Easement allowance – for potential sewer and s/w if required by design for Lot 1	\$30,000	n/a	\$30,000
Consultants – detail survey and site contamination (completed)	\$8,520(*)	0	\$8,520
Site preparation and tree , signage clearing cost (Stage 1 work	\$4,590 (*)	\$10,000	\$14,590

completed)			
Contingency (approx 10%)	\$10,000	\$10,000	\$20,000
Total Land Division Cost	\$116,860	\$116,950	\$233,810

NOTE:

1. The costs associated with electricity augmentation associated with the existing transformer and the design and construction of a new Main North Road slip lane (entry only) will be borne by the purchaser, Leyton Property.
2. The Stage 1 costs (*) have been expended for consultant costs (detail survey and site contamination report) and tree/signage removal costs in FY 2019/20.

For Stage 1 of the land division process, \$30,000 has been allowed for the potential requirement for a sewer and water supply easement connecting the western boundary of the proposed Lot 1 and the services located in Mingari Street. The latter will be resolved during the Stage 1 land division design process.

4.8 Land Sale Contract and CEO Delegation

The executed letter of offer (Attachment 2) for the sale of Lot 1 to Leyton Property provides the negotiated parameters which will form the basis of the land sale contract which is to be drafted for execution by both parties. The latter is subject to receiving Council approval to proceed with the sale of Lot 1 to Leyton Property.

The draft land sale contract and associated special conditions will be drafted by Council's legal advisers, Norman Waterhouse and will be based on the standard contract for the sale of land prepared by the SA Law Society. As negotiated in the executed letter of offer (Attachment 2) the key parameters to be included in the draft land sale contract are as follows:

1. Purchase Price = \$4.29 Million (excluding GST)
2. After completion of Due Diligence by Leyton Property, the Retention of Deposit at key milestones as agreed
3. Special Conditions (x4)
4. Two stage land division process
5. Cost to relocate transformer and design/construct of Main North Rd slip lane for Lot 1 to be paid by Leyton Property

As in done in previous land sales and associated contract execution by Council, to assist in the efficiency of the process Council has the option to delegate to the CEO or other senior officer (eg General Manager) to finalise the drafting and execution of the land sale contract in accordance to the *Local Government Act 1999*.

5. OPTIONSRecommendation

Council resolves;

- a) The sale of Lot 1 as per the concept land division plan (Attachment 1) which is a portion of the existing Lot 479 Mingari Street Munno Para (CT 6156/288) for the agreed price of \$4.29 Million (ex GST)
- b) The site area for the proposed Lot 1 (Attachment 1) will be subject to the Final Plan of Division
- c) Pursuant to the Local Government Act 1999, the Chief Executive Officer be granted the delegation to finalise the drafting and execution of the land sale contract for the sale of Lot 1 (Attachment 1)

Option 2

Council reject the recommendation and advise staff to recommence negotiations with Leyton Property with the following parameters:

1. –
2. –
3. –
4. –

Option 3

Council reject the sale of Lot 1 which is a portion of Lot 479 Mingari St Munno Para to Leyton Property.

6. ANALYSIS OF OPTIONS

6.1 Recommendation Analysis

6.1.1 Analysis & Implications of the Recommendation

The recommended option to sell Lot 1 (Attachment 1) which is a portion of the whole site at Lot 479 Mingari St Munno Para to Leyton Property will allow Council to achieve its objectives in debt reduction and the key principles of the Repurposing Assets Project such as maximising commercial/financial return, positive community outcomes, capital investment and employment opportunities.

The key benefits to Council and the community for the recommended option, are summarised as follows;

- The nett sale proceeds from the sale of Lot 1 will reduce Council's debt,
- Aligns with Council's objectives to attract commercial capital investment, new services and associated employment opportunities,
- Proposed commercial development includes a petrol outlet and bulky goods retail outlets,
- New additional services to the City of Playford,
- Additional capital investment and employment opportunities,
- Council will receive rate revenue from both the vacant commercial site initially followed by the commercial development,
- Positive public and commercial market perceptions created by new commercial developments,
- The staging of the land division process will mitigate Council's risk to the timing of payment of the land division costs,
- The contractual risk associated with the sale of Lot 1 to Leyton Property lies predominantly in the 120 day Due Diligence period (includes potential 30 day extension) which allows the purchaser to terminate the contract. Post the Due Diligence period, the risk of contract failure is reduced due to the likelihood of the purchaser finalising precommitment with the relevant commercial tenants for the proposed development on Lot 1.

6.1.2 Financial Implications

The financial implications for the recommended option for the sale of Lot 1 to Leyton Property will provide capital revenue to reduce Council's debt and ongoing rate revenue for the vacant commercial site and then the future commercial development. The agreed purchase price for Lot 1 Mingari St Munno Para by Leyton Property is \$4.29M minus the real estate agent

commission, marketing costs, conveyancing costs and Stage 1 land division costs (estimated total = \$103,750).

In FY 2019/20, \$13,110 was spent due to the detailed survey (\$5500), preliminary site contamination report (\$3020), tree removal (\$2990) and signage removal (\$1600). These cost will be offset post settlement for Lot 1.

Upon execution of the land sale contract and satisfactory completion of the Due Diligence process by the purchaser, the Stage 1 land division process will be undertaken by Council during FY 2020/21. The majority of Stage 1 land division costs associated with the site services augmentation cost (\$15,300), services easement (\$30,000) and open space contribution for the new lot (\$7600) will be incurred after planning consent and before Section 51 clearance and plan of division lodgement with the LTO. The requirement for a services easement for Lot 1 will be determined during the land division design.

The real estate agents commission and contract preparation costs will be paid at the time of property settlement.

	Current Year 2020/21 \$'000	Ongoing Post 2021/22 \$'000
Operating Revenue	0	24,700
Operating Expenditure	0	0
Net Operating Impact	0	24,700
Capital Revenue – sale of Lot 1	(4,290,000)	(3,956,000)
Capital Expenditure – Stage 1 land division costs	103,750	116,950
Total Borrowings (Capital Investment)	(4,186,250)	(3,839,050)

Operating revenue of \$24,700 represents rates revenue generated from the four (4) new Torrens Title serviced allotments as undeveloped vacant commercial land with an estimated capital value of \$8.2 Million. The latter is based on the assumption that the four lots are sold at their asking price and the property settlements occur during FY 2021/22 and onwards.

The net operational impact of \$24,700 per annum will need to be reviewed as part of the next year's budget process.

6.2 Option 2 Analysis

6.2.1 Analysis & Implications of Option 2

During the EOI process, negotiations were undertaken with Leyton Property and the other tenderers to provide increased purchase prices and improved conditions. The purchase price of \$4.29 Million as agreed by Leyton Property was set as asking price (high end) with the expectation it would be negotiated at a lower rate and consequently lower purchase price. The probability of achieving a successful outcome by re-negotiating the parameters of the Lot 1 sale with Leyton Property are low and high risk. Council must also consider the reputational risk if this current marketing campaign is unsuccessful due to the past unsuccessful attempts with Emmett Property and Kaufland Australia.

In accordance to Council's Long Tern Financial Plan (LTFP), the property settlement is scheduled for FY 2021/22 thus the associated capital revenue and ongoing rate revenue. This potential risk of the withdrawal of the Leyton Property offer will have an impact on achieving the LTFP objective and the reduction of Council's debt.

6.2.2 Financial Implications

The financial implication if Council administration re-negotiates the parameters for the sale of Lot 1 with Leyton Property will be dependent if further negotiations are successful or not. The risk of Leyton Property withdrawing the offer is high for the following key reasons;

- There's limited buyers for large commercial sites in the Northern region
- The current commercial real estate market has been impacted by COOVID-19
- Leyton Property have offered a purchase price rate of \$390/sqm which exceeds the market valuation rate of \$262/sqm (49% difference)

Thus with a potential withdrawal of the Leyton offer, the current site at Lot 479 Mingari St Munno Para will remain in Council ownership as undeveloped vacant land in the short to medium term, consequently no capital investment or annual rate revenue will be generated.

6.2 Option 3 Analysis

6.2.1 Analysis & Implications of Option 3

For Option 3, Council will retain ownership of the whole of Lot 479 Mingari Street Munno Para and will need to reconsider the repurposing options for the subject site which align with the Council's strategic objectives. Due to current market conditions, the key risk is that the site will remain vacant and contribute to a negative market perception towards the subject site, thus increasing the difficulty in selling or redeveloping the site in future.

In accordance to Council's Long Tern Financial Plan (LTFP), the property settlement is scheduled for FY 2021/22 thus the associated capital revenue and ongoing rate revenue. This delay will have an impact on achieving the LTFP objective and the reduction of Council's debt.

6.2.2 Financial Implications

The financial implication if Council rejects the sale of Lot 1 to Leyton Property will be that the current site at Lot 479 Mingari St Munno Para will remain in Council ownership as undeveloped vacant land in the short to medium term, consequently no capital investment or annual rate revenue will be generated.



ATTACHMENT 1 - Concept Plan for 4 Lot Sub-division

LETTER OF OFFER

Vendor:

City of Playford
12 Bishopstone Road
Davoren Park, S.A. 5113

Purchaser:

Leyton Property Pty Ltd
Level 1, 22-26 Vardon Avenue
Adelaide, S.A. 5000

Land:

A portion of the land within Certificate of Title Volume 6156 Folio 288 and shown as "Lot 1" on the Preliminary Plan of Division in Annexure A (as may be varied before settlement to comply with any law or as determined by the Vendor) ('the Preliminary Plan'), being an area of approximately 11,000 square metres, comprising the eastern portion of the existing Lot 479 Mingari Street, Munno Para.

Price:

\$4,290,000 plus GST

Deposit:

\$100,000 payable on the execution of the Contract (by both parties) by bank cheque or by deposit of cleared funds to a nominated bank account of the deposit holder with the investment of the deposit at the Vendor's discretion.

Retention of Deposit by Vendor:

By mutual agreement between the parties, upon the satisfaction of the Special Condition 1 (Due Diligence), 50% (\$50,000) of the deposit shall be released to the Vendor and shall be non-refundable in the event of the termination of this agreement. Further, upon the satisfaction of the Special Condition 2 and 3 (Planning Consent and Land Division), the balance 50% (\$50,000) of the deposit shall be released to the Vendor and shall be non-refundable in the event of the termination of this agreement. *unless caused by the Vendor's default. 20B*

Date for Settlement:

Settlement is subject to and conditional upon the satisfaction of all conditions precedent. Settlement will be 30 days after satisfaction or waiver of the last of all the conditions precedent to settlement as set out in the Contract.

Special Conditions**1 Due Diligence**

Settlement is subject to and conditional upon a Due Diligence (DD) period of 90 days from the date of Contract which DD shall allow the Purchaser to conduct any environmental or geotechnical tests and/or investigations at their cost to their satisfaction in respect of the portion of the Land and continue to negotiate with tenants for the project to be undertaken on the Land as well as any other investigations in its absolute discretion that it deems necessary. This DD period may be extended for a further 30 days by written notice by the Purchaser to the Vendor at any time up to 7 days prior to expiry of the initial DD period. The purchaser must forthwith notify the vendor in writing if the due diligence condition is not satisfied

2 Land Division

- Preliminary Plan (creation of Lot 1) to be approved and deposited in the LTO by the Vendor on or before 180 days from the date of satisfaction of Due Diligence (Special Condition 1)
- The land division is to be undertaken in a two (2) stage process as follows;
 - i) Stage 1 - creation of Lot 1 as a Torrens Titled lot;
 - ii) Stage 2 – creation of Lots 2,3 ,4 as Torrens Titled lots or as per market demand.
- The purchaser will be responsible for the following costs associated with Lot 1;
 - i) Design and construction of slip lane for Main North Rd entrance into Lot 1;
 - ii) Relocation of existing electrical transformer (If required).
- For the option of a site exit from Lot 1 onto Main North Rd, the purchaser will need to obtain DPTI approval (not shown in the Development Plan)

3 Planning Consent

Settlement is subject to and conditional upon the Purchaser at its cost in all things obtaining development plan consent for a bulky goods and retail fuel outlet development ('Proposed Development') including approval to remove all necessary trees located on the Land as may be reasonably required by the Purchaser on or before 120 days from the date of satisfaction of Due Diligence (Special Condition 1).

4 Application and access

From the execution date of the Contract, the Vendor:

- (a) consents to the Purchaser commencing the development application process for the Proposed Development, including the right to market the proposed project by way of onsite signage as well as internet and paper advertising after satisfaction of the DD period; and
- (b) grants to the Purchaser and its contractors a licence to access the Land at any time during business hours and upon reasonable notice to the Vendor, solely for the purpose of installing on the Land signage about the Proposed Development;
- (c) in exercising its rights under Special Condition 4(b), the Purchaser must obtain any necessary consents and approvals, maintain such insurances reasonably required by the Vendor and, if the Contract is terminated for any reason, must remove all of its property from the Land and make good any damage caused;
- (d) and the Purchaser shall enter into good faith negotiations in relation to the establishment of certain design encumbrances that will be applicable for the overall land division of Lot 479 Mingari Street, Munno Para to establish a masterplan for the broader project to all parties mutual benefit, including future buyers of the balance of the land.
- (e) Any access to the site by the purchaser or his agents is at their own risk (in all tasks)

Vendor as Statutory Authority

Nothing in the Contract will bind the Vendor in its capacity as a statutory authority pursuant to the *Local Government Act 1999* (SA).

The Vendor's acceptance of the above proposed terms is subject to any subsequent advice by its lawyers and the negotiation and execution of a sale contract (Contract) detailing the terms and conditions.

Council does not intend to be bound contractually by agreeing to this Letter of Offer.

Acceptance by the Parties

I, HAMISH BROWN ON BEHALF OF LEYTON PROPERTY as Purchaser confirm that the above accurately reflects the terms of our offer to purchase and confirm that this will form the Heads of Agreement upon execution by both parties to allow the parties to progress; the Vendor with the preparation of the formal Contract and the Purchaser with a preliminary start on DD.

Signed:


Hamish Brown

Date:


4/9/2020

THE CITY OF PLAYFORD (by its delegate) confirms above is fundamentally acceptable and will form the basis of the Heads of Agreement and the preparation of the formal Contract.

Signed:


Simon Blum
(Print Name)

Date:


10.9.20

C. COUNCIL/COMMITTEE TO DECIDE HOW LONG ITEM 8.2 IS TO BE KEPT IN CONFIDENCE**Purpose**

To resolve how long agenda item 8.2 is to be kept confidential.

STAFF RECOMMENDATION

Pursuant to Section 91(7) of the Local Government Act 1999, the Council/Committee orders that the following aspects of Item 8.2 be kept confidential in accordance with Council's/Committee's reasons to deal with this item in confidence pursuant to Section 90 (3) (d) of the Local Government Act 1999:

- Report for Item 8.2
- Attachment(s) for Item 8.2
- Minutes for Item 8.2

This order shall operate until the settlement of property, or will be reviewed and determined as part of the annual review by Council in accordance with Section 91(9)(a) of the Local Government Act 1999, whichever comes first.